

**220 CMR 10.00 RULES GOVERNING THE PROCEDURE BY WHICH
ADDITIONAL RESOURCES ARE PLANNED,
SOLICITED, AND PROCURED BY CERTAIN
INVESTOR-OWNED ELECTRIC COMPANIES
OPERATING IN THE COMMONWEALTH OF
MASSACHUSETTS**

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Section 10.01 Purpose and Scope

- (1) **Purpose.** These rules establish the process by which additional resources are planned, solicited and procured to meet the obligation of certain investor-owned electric companies to provide safe, reliable, least-cost electric service to ratepayers. These rules also establish the level of costs for additional resources that is just, reasonable, and recoverable through retail rates charged to customers of electric companies.
- (2) **Scope.**
 - (a) These rules apply to forecasts of electricity demand and supply; evaluations of resource need and potential; requests for resource proposals; solicitations and evaluations of alternative project proposals; and plans to meet additional resource requirements of the electric companies listed below.
 - (b) **Affected utilities.** These rules apply to the following investor-owned electric companies:
 1. Boston Edison Company
 2. Cambridge Electric Light Company

3. Commonwealth Electric Company
4. Eastern Edison Company
5. Fitchburg Gas and Electric Light Company
6. Massachusetts Electric Company
7. Montaup Electric Company
8. New England Power Company
9. Northeast Utilities
10. Western Massachusetts Electric Company

Section 10.02 Definitions

The terms set forth below shall be defined as follows, unless the context otherwise requires.

Base Case Scenario shall mean the electric company's most likely demand forecast scenario.

Conservation shall mean a technology, measure, or action designed to decrease the kilowatt or kilowatthour requirements of an electric company.

Customer or Ratepayer shall mean any entity purchasing electricity from the electric company on a retail basis.

Demand-Side Resource or DSM shall mean any conservation or load management technology, measure, or action.

Department shall mean the Department of Public Utilities.

Electric Company shall mean those affected utilities specified in 220 C.M.R. § 10.01(2)(b) that are not subject to an exception to these rules granted by the Department.

Existing DSM Resource shall mean a resource that decreases the kilowatt or kilowatthour requirements of an electric company or that modifies the time pattern of customer capacity or energy requirements, and that has been installed at least one month prior to the date of the integrated resource plan filing.

Existing Supply-Side Resource shall mean a supply-side resource that either (a) has been providing kilowatts or kilowatthours to

the electric company at some time within the year beginning 13 months before and ending one month before the submittal of the integrated resource plan filing, or (b) has provided kilowatts or kilowatthours to the electric company at some time other than 13 months before the submission of the integrated resource plan filing and can be made operational without approval from the Department.

Integrated Resource Plan Filing shall mean the documents filed by the electric companies subject to these rules for Department review, as described in 220 C.M.R. § 10.03(2).

Least-Cost Electric Service shall include (a) all direct costs to the electric company; (b) direct out-of-pocket costs or benefits to the electric company's customers; (c) environmental costs not included in either (a) or (b) above (i.e., costs associated with reasonably foreseeable or anticipated environmental control requirements with cost implications for ratepayers); and (d) other non-price factors affecting the costs or benefits of the electric service (e.g., reliability, fuel diversity).

Load Management shall mean a measure or action designed to modify the time pattern of customer capacity or energy requirements, for the purpose of improving the efficiency of the electric company's operating system.

Lost C&LM Opportunity shall mean a failure to capture cost-effective C&LM savings at the time when it is most practical and inexpensive to do so, such as the point when a building is first constructed or when a customer's energy consuming equipment is replaced.

Peak Demand or Peak Load shall mean the maximum level of consumption of electrical energy in a system, or part thereof, expressed as the maximum megawatt load during a specified time period (e.g., day, week, month, year).

Planned Resource shall mean a resource that is contracted for or has received preapproval but has not begun to provide kilowatts or kilowatthours to the electric company or decrease the kilowatt

or kilowatthour requirements of the electric company or modify the time pattern of customer capacity or energy requirements.

Preliminary Award Group shall mean the group of all project proposals from the resource solicitation that would fill the identified resource need and represents those projects that an electric company anticipates including in its future resource inventory pending the results of final contract negotiations.

Project Developer shall mean any entity, including the electric company issuing the RFP or other electric company, that submits project proposals for the resource solicitation, or would be engaged to develop or implement a supply- or demand-side resource.

Project Proposal shall mean a proposal, either by the host electric company or by another entity, for providing a supply- or demand-side resource to the electric company through a resource solicitation.

Resource shall mean any facility, technology, measure, plan or action that either generates kilowatts or kilowatthours, decreases the kilowatt or kilowatthour requirements of an electric company, or modifies the time pattern of customer capacity or energy requirements for the purpose of improving the efficiency of the electric company's operating system.

Resource Inventory shall mean the combination of existing and planned resources of an electric company.

Resource Procurement Plan shall mean an electric company's plan for responding to any resource need identified in the integrated resource plan.

Resource Solicitation or Request for Proposals ("RFP") shall mean the process by which an electric company solicits and evaluates supply- and demand-side resources from project developers.

Supply-Side Resource shall mean a resource that provides kilowatts or kilowatthours to the electric company to meet the needs of its retail customers.

Section 10.03 Integrated Resource Plan Filing Requirements

- (1) **Frequency of Filing.** Each electric company shall submit to the Department an integrated resource plan filing as defined below, pursuant to a schedule approved by the Department. Integrated resource plan filings shall not be less frequent than 24 months from the previous integrated resource plan filing.
- (2) **Documents to be Filed.** Each electric company's integrated resource plan filing shall contain the following documents.
 - (a) **Executive Summary.** The Executive Summary shall be a non-technical summary of the information presented in each Technical Volume.
 - (b) **Technical Volumes.**
 1. The Demand Forecast;
 2. The Resource Inventory;
 3. The Resource Need Evaluation; and
 4. The Resource Procurement Plan.
- (3) **Notice and Participation.**
 - (a) **Notice.** At least ten business days before the integrated resource plan filing date, the electric company shall publish a notice in at least one newspaper of general circulation in the service territory, as approved by the Department, to inform the public about the filing. In addition, the company shall send actual notice to any person that has filed a request for notice with the company, or has participated, either as an intervenor or as an interested party, in the company's previous integrated resource plan filing or, if none, the company's previous integrated resource management filing.
 - (b) **Intervention and Participation.** Any person who wishes to intervene as a party or participate in the proceeding shall file a written petition with the

Department to intervene as a party or to participate in the proceeding pursuant to 220 C.M.R. § 1.03. Such petition shall be filed within ten business days of the date of the filing. The Department may, at its discretion, hold hearings to consider the requests for intervenor or participant status.

(4) Settlement Procedures.

(a) Settlement Negotiations.

1. Subsequent to filing its integrated resource plan, the electric company shall enter into discussions with parties for the purpose of evaluating the electric company's integrated resource plan filing and for the purpose of reaching agreement among the parties on all or some of the issues in the integrated resource plan filing.
2. Any settlement, partial settlement, or contested settlement reached by parties to the proceeding shall be filed with the Department, and shall be subject to Department review and approval.
3. Statements made and positions taken by any party during the course of settlement negotiations shall be neither admissible nor subject to discovery during any adjudicatory proceeding. Facts disclosed during such settlement negotiations may be subject to discovery during any adjudicatory proceeding.
4. Department staff members designated by the Commission of the Department to engage in settlement discussions may participate in the settlement negotiations in the same role as the parties or as facilitators. Any Department staff member that actively participates in the settlement negotiations may not advise the Commission of the Department in its review of the integrated resource plan filing, or subsequent

proceedings involving the review of that filing. The Commissioners of the Department shall not be bound on any matter agreed upon by Department staff members during the settlement negotiations.

(5) Demand Forecast.

- (a) Purpose and Scope. This subsection sets forth the requirements for forecasts of demand. Projections of the demand for electricity shall be based on substantially accurate historical information and reasonable statistical projection methods. The electric company shall demonstrate that the demand forecast is
- (1) reviewable, that is, the filing contains enough information and sufficient documentation to allow full understanding of the forecasting method;
 - (2) appropriate, that is, it uses a method that produces a forecast that is technically suitable to the size and nature of the electric company that produced it; and
 - (3) reliable, that is, it uses a method that provides a measure of confidence that its data, assumptions, and judgments produce a forecast of what is most likely to occur.
- (b) Content of Forecast. The base case demand forecast shall include historical data for a minimum of five calendar years preceding the year in which the integrated resource plan filing is submitted, and projections for 15 calendar years beginning with the year in which the integrated resource plan filing is submitted. The electric company shall provide the following information:
1. Total annual electric energy demand for the electric company's service territory;
 2. Total seasonal peak demands for the electric company's service territory;
 3. Annual service territory load factor;
 4. Annual service territory load duration curves;

5. Service territory load profiles for representative days in both summer and winter seasons; and
 6. Estimated transmission and distribution losses.
- (c) Demand Forecast Method. The Department does not prescribe a particular method that must be used by an electric company in forecasting demand. The method selected by an electric company must be reviewable, appropriate, and reliable. The electric company shall describe the following components of its forecast method for each year of the forecast period:
1. The major determinants of total annual electric energy demand and seasonal peak demand.
 2. The sources and vintages of the major data components used in the demand forecast.
 3. The methods used to acquire, organize, modify, and test the validity of data used in the demand forecast, and the techniques used to project electricity consumption based on such data.
 4. The major models used in compiling the forecast, including a description of the model logic and identification of the key variables affecting the model.
 5. The level of confidence associated with key dependent and independent variables used in the electric company's models, with an explanation supporting such level of confidence.
 6. The major assumptions regarding the forecast of electricity demand, with an explanation supporting these assumptions.
- (d) Customer Classes. Each demand forecast shall include separate forecasts of total annual electric energy demand and seasonal peak loads for each customer

class. All customer classes shall be disaggregated by end-use as appropriate.

(e) Sensitivity Analyses.

1. The demand forecast shall include sensitivity analyses of major assumptions contained in an electric company's forecast method.
2. The demand forecast shall include, in addition to the base case scenario, high demand growth and low demand growth scenario forecasts. Additional forecast analyses shall be provided by the electric company as appropriate. All growth scenario forecasts submitted shall include estimated annual energy and peak load growth rates over the forecast period, and a brief discussion of the key changes, from the base case scenario, in the variables and assumptions relied upon to produce such forecasts.

(6) Resource Inventory.

(a) Purpose and Scope.

1. This subsection sets forth the requirements for determining an electric company's resource inventory. All planned and existing resources shall be included in the resource inventory except for (1) those units that, because of extraordinary circumstances, are excluded by the Department from an electric company's resource inventory, and (2) those electric company-owned units that the electric company proposes to exclude from its resource inventory. The electric company shall provide the information set forth in this subsection for the five calendar years preceding the year in which the integrated resource plan filing is submitted, and the 15 calendar years beginning with the year in which the integrated resource plan filing is submitted.

2. The electric company shall demonstrate that the resource inventory is (1) reviewable, that is, the filing contains enough information and sufficient documentation to allow full understanding of the way in which the resource inventory was determined; (2) appropriate, that is, it uses assumptions regarding supply and DSM resources and their performance which are consistent with the Department's precedent and with generally accepted industry performance standards; and (3) reliable, that is, it provides a measure of confidence that its data, assumptions, and judgments produce reliable projections of the capacity and energy, and capacity and energy savings, associated with the resource inventory.

(b) Identification of Resources.

1. Inventory of Existing and Planned Supply-Side Resources. Each electric company shall identify its existing and planned supply-side resources.
 - a. For each identified existing and planned supply-side resource, the company shall provide documentation regarding:
 1. ownership;
 2. in-service date;
 3. recent actual (the average of the previous five years) equivalent availability factor;
 4. unit capability, summer and winter (MW);
 5. unit entitlement (MW);
 6. expected MW contribution for each year in the planning horizon;
 7. projected costs associated with compliance with environmental regulations (e.g., Clean Air Act Amendments of 1990); and
 8. remaining life of resource (anticipated expiration of equipment or contract

without investment requiring preapproval pursuant to 220 C.M.R §§ 9.00 et seq.), with full justification.

- b. For each existing supply-side resource for which (1) the costs or performance have differed significantly from projections over the previous two years, or (2) the electric company expects that the costs or performance over the next five years will differ significantly from the previous two years' costs or performance, the electric company shall provide the following additional information:
 - 1. annual production in kilowatthours;
 - 2. capacity factor;
 - 3. forced outage rate;
 - 4. heat rate curve;
 - 5. technology and design, including major pollution control equipment;
 - 6. fuel types;
 - 7. capital costs;
 - 8. variable operating costs (both fuel and variable operation and maintenance costs, disaggregated);
 - 9. fixed operation and maintenance costs;
 - 10. other costs such as waste disposal, decommissioning, insurance, and property taxes;
 - 11. permit restrictions which limit operations; and
 - 12. environmental impacts such as airborne emission rates, water emission rates, solid waste disposal, and water use.
2. Inventory of Existing DSM Resources. For each identified existing DSM resource, the electric company shall provide documentation, on a program basis, regarding annual energy and

capacity (i.e., summer and winter peak demand) savings for each customer class.

3. Inventory of Planned DSM Resources. For each identified planned DSM resource, the electric company shall provide documentation, on a program basis, regarding projected annual energy and capacity (i.e., summer and winter peak demand) savings for each customer class. In addition, the electric company shall include information regarding the preapproval status of (1) the company's DSM programs, and (2) contracts with project developers.
4. Attrition for Planned Resources. The electric company shall apply attrition factors to its inventory of planned supply-side resources and planned demand-side resources to account for the contingency that planned resources may not become operational or meet the electric company's expected commercial operation dates for such resources. The electric company shall provide sufficient documentation explaining and justifying the use of these attrition factors.

(7) Resource Need Evaluation.

- (a) Purpose and Scope. This subsection sets forth the requirements for identifying the electric company's need for additional resources to provide safe, reliable, least-cost electric service to ratepayers. The characteristics of the additional resource need shall be used in establishing the electric company's resource procurement plan. The electric company shall demonstrate that the evaluation of resource need is (1) reviewable, that is, the filing contains enough information and sufficient documentation to allow full understanding of the evaluation method; (2) appropriate, that is, it uses a method that produces a forecast of resource need that is technically suitable to the size and nature of the electric company that

produced it; and (3) reliable, that is, it uses a method that provides a measure of confidence that its data, assumptions, and judgments produce a forecast of resource need that is most likely to occur.

(b) Identification of Resource Need.

1. The electric company shall identify the general characteristics of the resource need described by the difference between the electric company's demand forecast and the anticipated contributions from the electric company's resource inventory.
2. The electric company shall present an appropriate reliability planning method as the basis for calculating resource need in its integrated resource plan filing. The electric company shall document that the reliability planning method (1) identifies a specific reliability planning criterion or target, (2) explains how that reliability target is used in the reliability planning method, and (3) demonstrates how the procurement of resources consistent with any capacity needs identified through application of the reliability planning method would strike an appropriate balance between the risks and costs that confront the electric company from the standpoint of resource planning. The electric company should also provide the company's capability responsibility based on NEPOOL practices and the company's reserve requirement.

(8) Resource Procurement Plan.

- (a) The electric company shall present a resource procurement plan responding to any resource need identified in the integrated resource plan for the ten-year period following the date of the company's integrated resource plan filing. The resource

procurement plan shall provide for the competitive solicitation of resources.

- (b) The electric company shall demonstrate that the resource procurement plan is consistent with the purpose of these rules, as established in 220 C.M.R. § 10.01(1).
- (c) The electric company may present evidence to demonstrate that it is not in ratepayers' interest to procure the full amount of the identified resource need before the filing of its next integrated resource plan. Based on such evidence, the Department may find that the electric company may defer the procurement of all, or a part, of the identified resource need until a subsequent integrated resource plan filing.
- (d) In the event that the electric company (1) identifies a need for additional resources during the ten-year period following the integrated resource plan filing, and (2) proposes to procure less than the full amount of that need, the company shall file a general description of how it would meet the remaining need, consistent with established planning standards.
- (e) Resource Solicitation Request for Proposals.
 - 1. Purpose and Scope.
 - a. If the electric company proposes to procure resources in response to an identified resource need before the filing of its next integrated resource plan, the electric company shall issue an RFP to identify new resources. The company shall ensure that the RFP is distributed to a broad range of potential bidders.
 - b. If the electric company plans to submit a company- or an affiliate-owned project proposal in response to its RFP, the

company shall include the RFP in its integrated resource plan filing.

- c. If the electric company does not plan to submit a company- or an affiliate-owned project proposal in response to its RFP, the company may present evidence in its integrated resource plan filing to demonstrate that including the RFP in its integrated resource plan filing for Department review is not in the best interest of ratepayers. Based on the evidence presented, the Department may find that the electric company need not submit an RFP.
- d. The purpose of the RFP is to solicit resource proposals from project developers. The RFP shall solicit from project developers all information necessary to compare proposals and determine the mix of resources that is most likely to result in a safe, reliable, least-cost supply of electric service to ratepayers.
- e. The RFP shall contain the information necessary for project developers to understand and compete fairly in the resource solicitation.
- f. The RFP shall be consistent with other elements of the company's integrated resource plan, i.e., the company's demand forecast, resource inventory, and resource need.

2. Project Selection Criteria and Ranking System.

- a. Each electric company shall adopt a ranking system to evaluate project proposals on the basis of each proposal's ability to provide

safe, reliable, least-cost electric service to ratepayers.

- b. The ranking system shall (1) be based on the characteristics of the resource need identified in the company's integrated resource plan, (2) incorporate all of the criteria that will be used to evaluate project proposals, (3) be designed to avoid self-dealing by the host electric company, and (4) enable the company to evaluate all resources, including renewables and conservation, according to consistent criteria.
- c. The electric company shall submit sufficient documentation of the assumptions, models, and any other relevant information to justify the ranking system.

3. Supply-Side Versus Demand-Side Solicitations.

The electric company shall have the option to identify supply- and demand-side resources in a single, all-resources solicitation or to identify these resources through separate solicitation processes. In either case, the electric company shall be responsible for integrating the resources chosen from any solicitations into its resource inventory in a manner consistent with the purpose of these rules, as established in 220 C.M.R. § 10.01(1). The electric company's method for integrating all types of resources shall be clearly articulated in the integrated resource plan filing and in any RFP issued pursuant to these rules.

- (f) Company-Sponsored Project Proposals. In the event that an electric company proposes to submit its own project proposal(s) to meet all or part of the identified resource need being solicited through the RFP, the

electric company shall submit the following information as part of its integrated resource plan:

1. For each company-sponsored project proposal, the company shall provide public summary information in the same form that would be required of respondents to the resource solicitation. The information regarding the electric company's project proposal provided in the integrated resource plan filing need not include price, method of cost recovery, or other cost information.
 2. Any demand-side project proposal shall include cost-effective DSM programs for all customer sectors and subsectors. Such programs shall avoid lost DSM opportunities to the maximum extent consistent with a cost-effective program.
 3. By 5:00 p.m. on the business day before the last day of the solicitation period, the electric company shall submit, under seal and clearly marked that it is not to be opened before the close of the next business day, to the Department all information, including price and cost information, for each company-sponsored project proposal, in the same form as required of RFP respondents. The electric company's proposals shall remain sealed and shall not be opened by the Department or be subject to public inspection until the solicitation period has expired.
- (g) The electric company shall demonstrate, and the Department shall review, the adequacy of the company's integrated resource plan to meet demand in the short-run. In order to establish adequacy in the short-run, an electric company must demonstrate that it has an identified, secure, and reliable set of energy and power supplies sufficient to meet its capability responsibility under a reasonable range of contingencies, or that it has developed a specific action

plan that would enable it to rely upon alternative supplies in the event of certain contingencies. For the purposes of the integrated resource plan filing, the short-run shall be defined as the time period extending four calendar years beginning with the year in which the integrated resource plan filing is submitted.

Section 10.04 **Department Review of the Integrated Resource Plan**

- (1) The Department shall open an investigation on the electric company's integrated resource plan filing. The Department shall hold a public hearing within two weeks of filing of the integrated resource plan, and may hold adjudicatory hearings and technical sessions as the public interest requires. Adjudicatory hearings would commence approximately three months after filing of the integrated resource plan, to allow time for settlement negotiations to take place. The electric company's integrated resource plan shall be approved if found to (1) comply with the provisions of these rules, and (2) be consistent with the purpose of these rules, as established in 220 C.M.R. § 10.01(1).
- (2) The Department shall review the electric company's integrated resource plan with respect to the demand forecast, the resource inventory, the evaluation of resource need, and the resource procurement plan. The Department shall issue an order on the electric company's integrated resource plan filing within nine months of the integrated resource plan filing date. If the Department does not issue an order within nine months, the electric company's integrated resource plan filing shall be deemed approved by the Department.
- (3) If (1) the electric company does not submit a proposed RFP with its integrated resource plan filing, and (2) the Department finds that submittal of a proposed RFP is in the public interest, then the company shall submit the RFP for Department review within 60 days.
- (4) If the Department makes an adverse ruling on any component of the electric company's integrated resource

plan filing, the electric company shall, within 30 days of such ruling, submit a compliance filing that rectifies any cause for rejection or conditional approval.

Section 10.05 **Solicitation Process and Project Evaluation**

- (1) In the event that the electric company issues an RFP(s) pursuant to an approved integrated resource plan, the electric company shall:
 - (a) Publish notice of the RFP(s) in at least one newspaper of general circulation in the service territory prior to issuance of the RFP(s), and likewise notify in writing any person or group that has filed a request for notice with the company. The solicitation period for an RFP shall extend no longer than 120 days from the day that the integrated resource plan is approved by the Department.
 - (b) Apply the RFP ranking system to all project proposals that pass the thresholds set out in the RFP and negotiate with developers to determine the mix of resources that is most likely to satisfy the purpose of these rules, as established in 220 C.M.R. § 10.01(1).
 - (c) Develop a proposed preliminary award group to fill the resource need identified in the RFP(s) and submit this preliminary award group to the Department, along with documentation of the resource selection process, within 90 days of the end of the solicitation period. The Department shall review the company's resource selection process at that time only if a demonstration is made that such a review is warranted.
- (2) All contracts for supply-side or DSM resources that are identified pursuant to these rules must be consistent with the approved resource procurement plan, and must be approved by the Department.

Section 10.06 Department Review of Contracts for Proposed Resources

- (1). Purpose. The Department shall review for approval final contracts for each of the electric company's proposed supply and DSM resource projects. In its review, the Department will determine whether the procurement of a proposed resource is consistent with (1) the resource procurement plan approved in the Department's review of the electric company's integrated resource plan, and (2) the purpose of these rules, as established in 220 C.M.R. § 10.01(1). In its review of proposed resources, the Department may hold adjudicatory hearings or technical sessions.
- (2) The Department shall issue an order on final contracts for each of the electric company's proposed resources within 90 days of the filing of the contract. The Department may extend the review period by up to 30 additional days. If the Department does not issue an order within such review period, the contract shall be deemed approved by the Department.
- (3) A contract for a proposed supply-side or DSM resource that was not identified in the approved resource procurement plan, and that was not the outcome of an approved RFP, shall be reviewed and approved if the electric company demonstrates that (1) the procurement of the resource is consistent with the purpose of these rules, as established in 220 C.M.R. 10.01(1), and (2) the resource could not reasonably have been included in the resource procurement plan.

Section 10.07 Utility Cost Recovery

- (1) Costs incurred by an electric company for the acquisition of supply-side or DSM resources pursuant to these rules are recoverable through the rates charged to the company's customers for the term of the resource acquisition agreement where the rates, terms and conditions for the resource acquisition have been approved by the Department.

- (2) Where the Department approves the replacement of an existing or planned resource (irrespective of ownership), whose cost recovery terms and conditions have been approved previously by the Department, with a new resource, the unrecovered sunk investment and any unavoidable costs associated with the replaced resource (including the unrecovered portion of sunk investment incorporated within the price formula of purchased power contracts) are recoverable through the rates charged to the electric company's customers.

Section 10.08 **Exception** Upon motion, the Department may grant, where appropriate, an exception to any provision of these rules. The Department may act upon its own motion in granting such exception.